

**HORRY - GEORGETOWN TECHNICAL COLLEGE**

**CONWAY, SOUTH CAROLINA**

**INDEPENDENT AUDITOR'S REPORT**

**FINANCIAL STATEMENTS AND SCHEDULES**

**FOR THE YEAR ENDED JUNE 30, 2013**

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

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HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
AUDIT PERIOD  
JULY 1, 2012 THROUGH JUNE 30, 2013

AREA COMMISSIONERS

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>	<u>County</u>
Joe Thomas Branyon, Jr.	Chairman	07-01-2015	Georgetown
Orrie E. West	Vice-Chairman	07-01-2014	Horry
Herman C. Jones	Chairman Emeritus	07-01-2014	Horry
William H. Murray	Secretary	07-01-2015	Georgetown
William K. Richardson		07-01-2015	Horry
Y. Melvin Nobles		07-01-2014	Horry
Donald W. Helms		07-01-2014	Horry
Jon David McMillan		07-01-2015	Georgetown
Brent D. Groome		07-01-2015	Horry

EXECUTIVE STAFF

Mr. H. Neyle Wilson	College President
Dr. Marilyn J. Fore	Executive Vice President for Academic Affairs
Mr. Ralph L. Selander	Vice President for Technology and Institutional Planning
Mr. W. Gregory Thompson	Associate Vice President for Student Affairs
Mr. Harold N. Hawley	Vice President for Finance and Business Affairs
Mr. Gregory L. Mitchell	Vice President for Workforce Development and Continuing Education

AREA SERVED

Horry County  
Georgetown County

COUNTIES PROVIDING FINANCIAL SUPPORT

Horry County  
Georgetown County



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Stacey C. Moree CPA  
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## INDEPENDENT AUDITOR'S REPORT

Horry - Georgetown Commission for Technical Education  
Horry - Georgetown Technical College  
Conway, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Horry - Georgetown Technical College, a component unit of the State of South Carolina, as of and for the years ended June 30, 2013 and June 30, 2012 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Horry - Georgetown Technical College Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statement of Horry - Georgetown Technical College Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements insofar as it relates to the amounts included for Horry - Georgetown Technical College Foundation, Inc. as a discretely presented component unit, is based solely on the report of other auditors. We conducted our

audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Horry – Georgetown Technical College, as of June 30, 2013 and June 30, 2012, and the respective changes in the financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Horry – Georgetown Technical College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our report and the report of other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Harper, Poston & Moree, P.A.*

Harper, Poston & Moree, P.A.  
Certified Public Accountants

Georgetown, South Carolina  
September 27, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Horry-Georgetown Technical College offer users and other readers of the College's financial statements this narrative overview and analysis of its financial activities for the fiscal years ended June 30, 2013 and June 30, 2012. This discussion and analysis should be read in conjunction with the consolidated financial statements and the footnotes thereto, which follow this section.

The financial statement presentation format provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows. The financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position combines and consolidates current financial resources (short-term spendable resources) with capital assets and discloses any debt obligations.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities which are supported substantially by property taxes, state allocation, state and federal grants and contracts, student tuition and fees and auxiliary enterprise revenues. This approach is intended to summarize and simplify an analysis of costs for various College services to students and the public.

As additional information, financial statements for the Horry-Georgetown Technical College Foundation, Inc. (The Foundation) are also included. All financial activities and balances of the Foundation are disclosed as a discretely presented component unit.

### Financial Highlights

- The total net position of the College at June 30, 2013, increased to \$95,593,822 from \$88,688,122 during the fiscal year. Of this amount, \$34,624,661 (unrestricted assets) may be used to meet the College's ongoing obligations. This increase was driven by stable enrollment, receipt of the local Education Capital Sales and Use (penny) Tax proceeds, ongoing College-wide cost reduction initiatives, and receipt of various federal, state, and private grants.
- The college is in the midst of a multi-year capital improvement initiative that includes constructing new academic facilities, refurbishing buildings, and improving its infrastructure. The capital improvements are financed by College Funds, private donations, and the local Educational Capital Improvement Sales and Use (Penny) Tax.
- In spite of unprecedented reductions in State support, the College was able to increase its net position, further evidencing its financial strength.

### Overview of the Financial Statements

The College is engaged only in Business-Type Activities (BTA) that is financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the current and prior fiscal years, and classifies assets and liabilities into current and non-current. The difference between total assets and total liabilities is net position, which is displayed in three broad categories: Net Investment in Capital Assets, which is net of related debt, Restricted and Unrestricted. Net Position is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Position is a statement of net income with an entity-wide perspective. Revenues and expenses are categorized by operating and non-operating, and expenses are reported by object type.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also emphasizes the College's dependence on state and county appropriations by separating them from operating cash flows.



## Financial Analysis

In addition to the financial information, charts and graphs are provided to enhance an understanding of the institutions financial condition and related changes from the prior fiscal year.

### Net Position For the Years Ended June 30,

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current assets	\$ 32,645,073	\$ 29,660,338	\$ 2,984,735	10.06%
Non-current assets				
Capital assets, net of				
Depreciation	\$ 60,811,339	\$ 51,362,403	\$ 9,448,936	18.40%
Other	\$ 12,292,630	\$ 15,859,200	\$ (3,566,570)	(22.49%)
Total assets	<u>\$ 105,749,042</u>	<u>\$ 96,881,941</u>	<u>\$ 8,867,101</u>	<u>9.15%</u>
Current liabilities	\$ 8,470,186	\$ 6,541,373	\$ 1,928,813	29.49%
Non-current liabilities	\$ 1,685,034	\$ 1,652,446	\$ 32,588	1.97%
Total liabilities	<u>\$ 10,155,220</u>	<u>\$ 8,193,819</u>	<u>\$ 1,961,401</u>	<u>23.94%</u>
Net Position				
Net Investment in				
Capital Assets	\$ 60,794,503	\$ 51,335,990	\$ 9,458,513	18.42%
Restricted for: Expendable	\$ 174,658	\$ 151,453	\$ 23,205	15.32%
Unrestricted	\$ 34,624,661	\$ 37,200,679	\$ (2,576,018)	(6.92%)
Total Net Position	<u>\$ 95,593,822</u>	<u>\$ 88,688,122</u>	<u>\$ 6,905,700</u>	<u>7.79%</u>

The previous schedule is prepared from the College's statement of net position, which is presented using an accrual basis of accounting, whereby assets are capitalized and depreciated. Total assets increased by \$8,867,101 or 9.15% over prior year. This change was driven primarily by ongoing construction activities and the completion of several large projects including the new Engineering Building, expanded parking, new signage, and significant infrastructure (road, sidewalk and landscaping) improvements. Current assets also increased by \$2,984,735 or 10.06% during the year primarily due to an increase in short-term investments.

Total liabilities increased by \$1,961,401 or 23.94% during the fiscal year due to an increase in accounts payable associated with construction and renovation projects.

Total net position increased by \$6,905,700 or 7.79% during the fiscal year. As evidenced by this increase, the College continues to benefit from a sound financial position as assets substantially exceed liabilities.

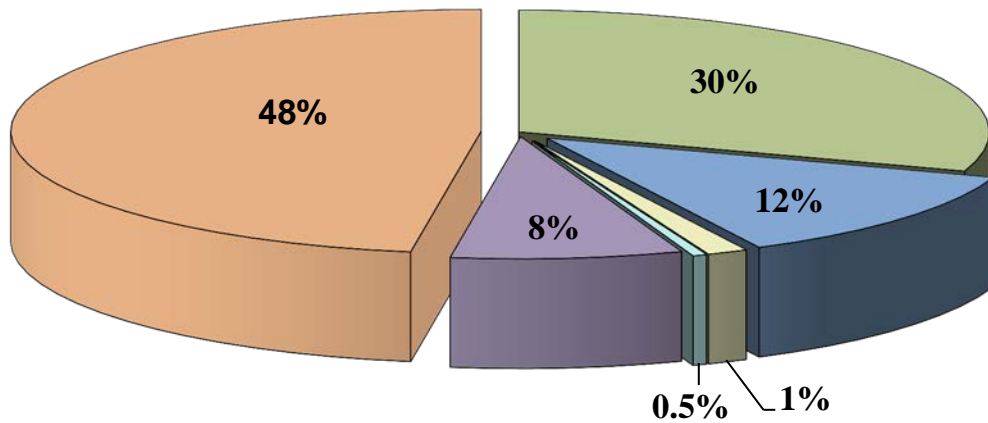
**Operating Results for the Years Ended  
For the Years Ended June 30,**

	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>Increase (Decrease)</b></u>	<u><b>Percent Change</b></u>
Operating Revenue				
Tuition and Fees	\$ 19,220,836	\$ 19,254,333	\$ (33,497)	(0.17%)
Federal and State Contracts	\$ 7,862,387	\$ 7,362,610	\$ 499,777	6.79%
Auxiliary	\$ 885,075	\$ 801,391	\$ 83,684	10.44%
Other	\$ 310,932	\$ 299,241	\$ 11,691	3.91%
Total Operating Revenue	<u>\$ 28,279,230</u>	<u>\$ 27,717,575</u>	<u>\$ 561,655</u>	<u>2.03%</u>
Less Operating Expenses	<u>\$ 56,702,673</u>	<u>\$ 53,453,875</u>	<u>\$ 3,248,798</u>	<u>6.08%</u>
Net Income (Loss)	<u>\$ (28,423,443)</u>	<u>\$ (25,736,300)</u>	<u>\$ (2,687,143)</u>	<u>(10.44%)</u>
Non-Operating Revenue (Expenses)				
State Appropriations	\$ 7,167,534	\$ 6,811,576	\$ 355,958	5.23%
Horry County	\$ 3,485,000	\$ 3,346,000	\$ 139,000	4.15%
Georgetown County	\$ 465,000	\$ 465,000	\$ -	0.00%
Other	\$ 19,166,538	\$ 18,953,680	\$ 212,858	1.12%
Total Non-Operating Revenue (Expenses)	<u>\$ 30,284,072</u>	<u>\$ 29,576,256</u>	<u>\$ 707,816</u>	<u>2.39%</u>
Capital Grants and Gifts	<u>\$ 5,045,071</u>	<u>\$ 5,293,498</u>	<u>\$ (248,427)</u>	<u>(4.69%)</u>
Increase in Net Position	<u>\$ 6,905,700</u>	<u>\$ 9,133,454</u>	<u>\$ (2,227,754)</u>	<u>(24.39%)</u>
Net Position - Beginning of Year	<u>\$ 88,688,122</u>	<u>\$ 79,554,668</u>	<u>\$ 9,133,454</u>	<u>11.48%</u>
Net Position - End of Year	<u><u>\$ 95,593,822</u></u>	<u><u>\$ 88,688,122</u></u>	<u><u>\$ 6,905,700</u></u>	<u><u>7.79%</u></u>

As shown above, the College experienced an increase in its net position or net assets during 2013, but the rate of the increase was less than in the prior year. During the year, the net position increased by \$6,905,700 or 7.79% as compared to a \$9,133,454 increase in 2012.

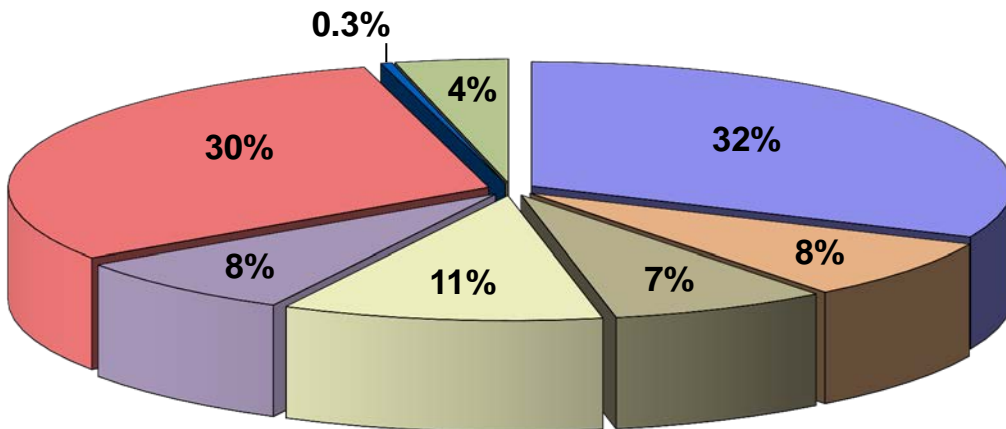
The decline in the rate of increase in net position was due to relatively flat enrollment (revenue), and an increase in operating costs. During the year, operating expenses increased by \$3,248,798 or 6.08%. The increase in operating expenses was largely due to the acquisition of equipment and furniture for the new Engineering Building and several college-wide renovation projects. The change in operating costs was also associated with increased spending in the "Assist Grant" during the year. This Grant is focused on getting unemployed and under-employed workers better trained for higher paying occupations.

## Revenue by Source



- Tuition and Fees
- Federal and State Contracts
- Auxiliary
- Other
- Capital Grants and Gifts
- Non-Operating Revenue

## Operating Expenses



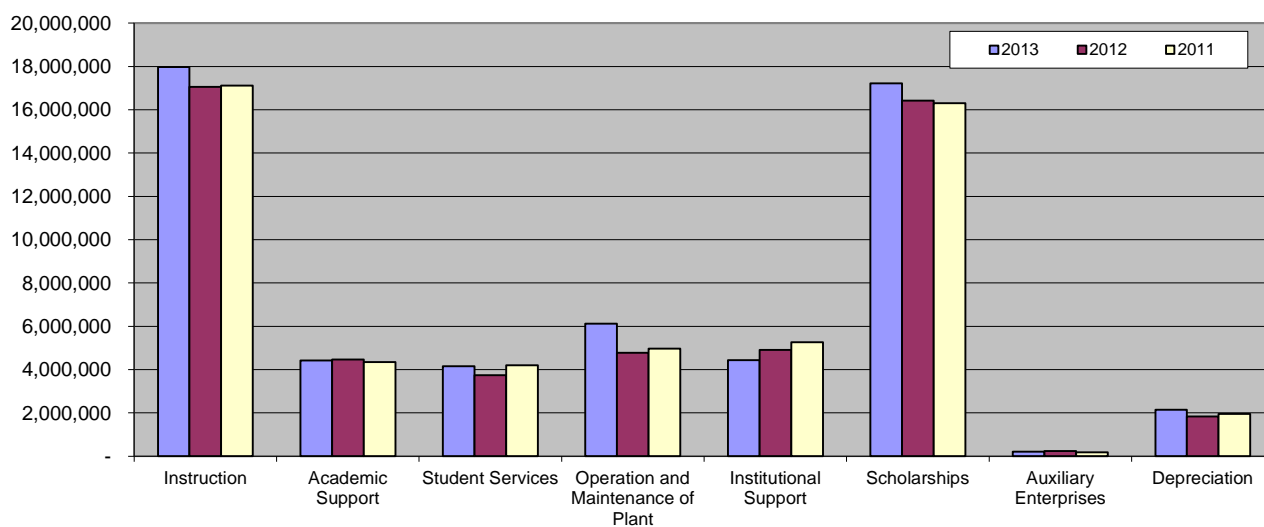
- Instruction
- Academic Support
- Student Services
- Operation and Maintenance of Plant
- Institutional Support
- Scholarships
- Auxiliary Enterprises
- Depreciation

## Operating Expenses For the Years Ended June 30,

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Expenses				
Instruction	\$ 17,978,388	\$ 17,060,934	\$ 917,454	5.38%
Academic Support	\$ 4,423,345	\$ 4,469,107	\$ (45,762)	(1.02%)
Student Services	\$ 4,157,190	\$ 3,748,304	\$ 408,886	10.91%
Operation and Maintenance of Plant	\$ 6,116,251	\$ 4,776,815	\$ 1,339,436	28.04%
Institutional Support	\$ 4,435,454	\$ 4,913,351	\$ (477,897)	(9.73%)
Scholarships	\$ 17,227,801	\$ 16,417,317	\$ 810,484	4.94%
Auxiliary Enterprises	\$ 213,779	\$ 234,505	\$ (20,726)	(8.84%)
Depreciation	\$ 2,150,465	\$ 1,833,542	\$ 316,923	17.28%
Total Operating Expenses	<u>\$ 56,702,673</u>	<u>\$ 53,453,875</u>	<u>\$ 3,248,798</u>	<u>6.08%</u>

The following is a multi-year graphical trend of operating expenses by function.

**Comparison of Operating Expenses Fiscal Years 2013, 2012 and 2011**



Operating expenses, overall, for fiscal year 2013 increased by \$3,248,798 or 6.08% over the prior year. The primary driver of the change was increased costs associated with completing construction and equipping the new Engineering Building. The change in year-to-year spending was also due to costs associated with the Assist Grant and use of an outside Call Center for handling in-bound student calls.

**Analysis of Net Position  
For the Years Ended June 30,**

	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>Increase (Decrease)</b></u>	<u><b>Percent Change</b></u>
Net Position				
Net Investment in				
Capital Assets	\$ 60,794,503	\$ 51,335,990	\$ 9,458,513	18.42%
Restricted for: Expendable	\$ 174,658	\$ 151,453	\$ 23,205	15.32%
Unrestricted	<u>\$ 34,624,661</u>	<u>\$ 37,200,679</u>	<u>\$ (2,576,018)</u>	<u>(6.92%)</u>
Total Net Position	<u>\$ 95,593,822</u>	<u>\$ 88,688,122</u>	<u>\$ 6,905,700</u>	<u>7.79%</u>

Net position (previously called net assets) may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$95,593,822 and \$88,688,122 at June 30, 2013 and 2012 respectively. This year-to-year increase in net position, or net assets, of \$6,905,700 further demonstrates the financial health and economic viability of the College.

Approximately 64% of the College's net position at June 30, 2013 was invested in capital assets (land, land improvements, buildings and improvements, and equipment). The College uses these assets to provide services to students; and as such, these assets are NOT available for future spending.

At June 30, 2013, less than 1% or \$174,658 of the College's net position is restricted for revolving loan funds and by other grantor imposed restrictions. Approximately \$34,624,000 or 36% of the College's net position is unrestricted and may be used to the meet the College's ongoing obligations.

**Net Capital Assets**  
**For the Years Ended June 30,**

	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>Increase (Decrease)</b></u>	<u><b>Percent Change</b></u>
Capital Assets				
Land and Improvements	\$ 6,952,005	\$ 6,951,600	\$ 405	0.01%
Construction in Progress	\$ 3,694,662	\$ 4,307,678	\$ (613,016)	(14.23%)
Buildings	\$ 66,766,735	\$ 55,659,533	\$ 11,107,202	19.96%
Equipment	\$ 7,128,601	\$ 6,199,534	\$ 929,067	14.99%
Total Capital Assets	<u>\$ 84,542,003</u>	<u>\$ 73,118,345</u>	<u>\$ 11,423,658</u>	<u>15.62%</u>
Less Accumulated Depreciation	<u>\$ (23,730,664)</u>	<u>\$ (21,755,942)</u>	<u>\$ (1,974,722)</u>	<u>9.08%</u>
Net Capital Assets	<u><u>\$ 60,881,339</u></u>	<u><u>\$ 51,362,403</u></u>	<u><u>\$ 9,448,936</u></u>	<u><u>18.40%</u></u>

As of June 30, 2013, the College had \$60,881,339 in capital assets, which represented a \$9,448,936 or 18.4% increase over the prior fiscal year. The College continued work on several capital projects during the year which increased total assets. Those capital projects include constructing new and renovating existing academic buildings; upgrading the College's road, sidewalk and parking systems; and modernizing its utility and information technology (e.g. data center) infrastructure.

**Cash Flows**  
**For the Years Ended June 30,**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Cash Flows from Operating Activities	\$ (23,718,159)	\$ (21,539,942)
Cash Flows from Non-Capital Financing Activities	\$ 31,508,228	\$ 30,693,784
Cash Flows from Capital and Related Financing Activities	\$ (6,586,515)	\$ (5,476,304)
Cash Flows from Investing Activities	<u>\$ (1,269,630)</u>	<u>\$ (15,736,390)</u>
Net Increase/(Decrease) in Cash	\$ (66,076)	\$ (12,058,852)
Cash - Beginning of Year	<u>\$ 13,354,952</u>	<u>\$ 25,413,804</u>
Cash - End of Year	<u><u>\$ 13,288,876</u></u>	<u><u>\$ 13,354,952</u></u>

The College's cash position was reduced by approximately \$66,076 or less than 1% during the year. This reduction was the result of increased operating expenses and paying construction expenses associated with new academic facilities and infrastructure improvements.

## **Capital Asset and Debt Administration**

The College increased its investments in capital assets by approximately \$9,448,936 or approximately 18.4% in 2013. This change was due to the completion of several large construction projects including the Engineering Building on the Conway Campus. Other capital projects completed during the year include major renovations to sidewalks and parking areas, installation of new signage College-wide, and renovation of existing buildings to improve weatherization and energy efficiency.

The College was able to substantially increase its net position during the year through relatively stable enrollment, ongoing cost reduction initiatives, and receipt of the local Education Capital Improvement Sales and Use (penny) Tax.

## **Economic Factors**

As a result of state funding reductions in recent years, the College is forced to rely more heavily on tuition revenue to support its mission.

Going forward, the College expects some flattening of enrollment growth due to the ongoing economic recovery, increased federal restrictions on financial aid, and local competition from private and two-year institutions. The future impact of enrollment increases or decreases however, cannot be measured with any precision.

Yet, in spite of these economic challenges, the College remains fiscally strong and enjoys significant liquidity. The College's fiscal health is supported by relatively stable enrollment, ongoing cost reductions, and receipt of the local Education Capital Improvement Sales and Use Tax.

## **Horry-Georgetown Technical College Foundation, Inc.**

A copy of the Horry-Georgetown Technical College Foundation, Inc. audit may be obtained by mailing a request to the Horry-Georgetown Technical College Foundation, Inc. at 743 Hemlock Ave, Myrtle Beach, SC 29577.



## **FINANCIAL STATEMENTS**

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND JUNE 30, 2012

	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 13,160,379	\$ 13,229,000
Cash and Cash Equivalents (Restricted for Loans)	128,497	125,952
Short Term Investments	10,852,494	7,626,514
Accounts Receivable, Net	8,162,515	8,338,892
Interest Receivable	81,761	82,590
Loans Receivable	28,869	25,415
Prepaid Expenses	230,558	231,975
Total Current Assets	\$ 32,645,073	\$ 29,660,338
Noncurrent Assets		
Investments	\$ 12,292,630	\$ 15,859,200
Capital Assets, Net of Accumulated Depreciation	60,811,339	51,362,403
Total Noncurrent Assets	\$ 73,103,969	\$ 67,221,603
Total Assets	\$ 105,749,042	\$ 96,881,941
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 3,246,354	\$ 2,162,646
Due to Other State Agencies	41,984	217,620
Retainage Payable	80,092	302,776
Accrued Payroll and Related Liabilities	1,266,115	1,222,559
Compensated Absences Payable	45,505	19,028
Deferred Revenue	2,951,362	1,907,813
Funds Held for Others	828,807	699,354
Capital Lease Payable - Current Portion	9,967	9,577
Total Current Liabilities	\$ 8,470,186	\$ 6,541,373
Noncurrent Liabilities		
Compensated Absences Payable	\$ 1,678,165	\$ 1,635,610
Capital Lease Payable - Long Term Portion	6,869	16,836
Total Noncurrent Liabilities	\$ 1,685,034	\$ 1,652,446
Total Liabilities	\$ 10,155,220	\$ 8,193,819
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 60,794,503	\$ 51,335,990
Restricted for		
Expendable		
Loans	155,908	132,702
Other	18,750	18,751
Unrestricted	34,624,661	37,200,679
Total Net Position	\$ 95,593,822	\$ 88,688,122

The Accompanying Notes are an Integral Part of this Statement

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	2013	2012
<b>REVENUES</b>		
Operating Revenues		
Student Tuition & Fees (Net of Scholarship Allowance of \$8,402,530 for 2013 and \$7,714,978 for 2012)	\$ 19,220,836	\$ 19,254,333
Federal Grants and Contracts	1,961,712	1,856,424
State Grants and Contracts	5,900,675	5,506,186
Auxiliary Enterprises	885,075	801,391
Sales and Services of Education Departments	141,044	152,430
Other Operating Income	169,888	146,811
Total Operating Revenue	\$ 28,279,230	\$ 27,717,575
<b>EXPENSES</b>		
Operating Expenses		
Salaries	\$ 21,420,115	\$ 20,467,253
Benefits	6,344,719	5,951,017
Scholarships	16,990,745	16,274,143
Utilities	1,371,708	1,304,592
Supplies and Other Services	8,424,921	7,623,328
Depreciation	2,150,465	1,833,542
Total Operating Expenses	\$ 56,702,673	\$ 53,453,875
Net Operating Income (Loss)	\$ (28,423,443)	\$ (25,736,300)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	\$ 7,167,534	\$ 6,811,576
County Appropriations	3,950,000	3,811,000
Investment Income (Loss)	(274,128)	475,053
Federal Grants and Contracts	19,136,415	18,115,348
State Grants and Contracts	0	4,154
Gifts	216,167	325,720
Interest Expense	(882)	(5,613)
Gain on Disposal of Fixed Asset	0	3,318
Other Nonoperating Revenues	88,966	35,700
Total Nonoperating Revenues (Expenses)	\$ 30,284,072	\$ 29,576,256
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ 1,860,629	\$ 3,839,956
State Capital Appropriations	\$ 339,270	\$ 0
Capital Grants & Gifts	345,333	1,478,457
Education Capital Improvement Tax	3,959,655	3,839,730
Transfers to/from Other State Agency	400,813	(24,689)
Increase (Decrease) in Net Position	\$ 6,905,700	\$ 9,133,454
Net Position - Beginning of Year (As Restated)	\$ 88,688,122	\$ 79,554,668
Net Position - End of Year	\$ 95,593,822	\$ 88,688,122

The Accompanying Notes are an Integral Part of this Statement

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees (Net of Scholarship Allowances)	\$ 18,654,094	\$ 19,087,093
Federal, State and Local Grants and Contracts	7,870,597	6,586,542
Auxiliary Enterprise	885,075	801,391
Sales and Services of Education Departments	141,044	152,430
Other Receipts	169,888	228,966
Student Loan Proceeds	34,517,396	33,165,745
Student Loan Disbursements	(34,517,396)	(33,165,745)
Payments to Vendors	(29,975,186)	(27,591,676)
Payments to Employees	(21,463,671)	(20,804,688)
Net Cash Provided (Used) by Operating Activities	\$ (23,718,159)	\$ (21,539,942)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	\$ 7,167,534	\$ 6,811,576
County Appropriations	3,950,000	4,226,000
State, Local and Federal Grants, Gifts and Contracts - Nonoperating	20,598,649	19,647,493
Other Income (Expense) - Nonoperating	(185,162)	33,404
Transfer to Other State Agency	(22,793)	(24,689)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 31,508,228	\$ 30,693,784
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payment on Note	\$ 0	\$ (437,120)
Interest Payment on Note	0	(4,356)
Capital Grants State and Local	4,599,738	4,511,136
Principal Payment Capital Lease	(9,576)	(9,202)
Interest Payment on Capital Lease	(882)	(1,257)
Purchase of Capital Assets	(11,175,795)	(9,535,505)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (6,586,515)	\$ (5,476,304)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	\$ 10,828,057	\$ 18,583,137
Interest on Investments	708,601	508,778
Purchase of Investments	(12,806,288)	(34,828,305)
Net Cash Provided (Used) by Investing Activities	\$ (1,269,630)	\$ (15,736,390)
Net Increase (Decrease) in Cash	\$ (66,076)	\$ (12,058,852)
Cash - Beginning of Year	13,354,952	25,413,804
Cash - End of Year	\$ 13,288,876	\$ 13,354,952

The Accompanying Notes are an Integral Part of this Statement

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)</b>		
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ (28,423,443)	\$ (25,736,300)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation Expense	2,150,465	1,833,542
Change in Assets and Liabilities:		
Operational Receivables, Net	624,358	940,124
Loan Receivable	3,454	(592)
Accrued Payroll and Related Liabilities	43,556	337,435
Deferred Charges and Prepaid Expenses	(1,417)	(20,161)
Accounts and Retainage Payable	861,025	1,440,357
Compensated Absences	26,477	93,394
Deferred Revenue - Operating Activities	1,043,549	(135,630)
Due to Other State Agencies	(175,636)	(440,068)
Funds Held for Others	129,453	147,957
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(23,718,159)</u></u>	\$ <u><u>(21,539,942)</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Assets Transferred from Other State Agencies	\$ 423,606	\$ 0
Unrealized loss on Investments	<u>(982,729)</u>	<u>0</u>
Total Noncash Capital And Related Financing Activities	<u><u>(559,123)</u></u>	<u><u>0</u></u>

The Accompanying Notes are an Integral Part of this Statement

HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.  
 CONWAY, SOUTH CAROLINA  
 COMPONENT UNIT  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2013

	<u>2013</u>
<b>ASSETS</b>	
Cash	\$ 621,611
Contributions Receivable, Net	545,769
Investments	8,356,559
Other Assets	5,525
Property, Plant & Equipment, Net of Accumulated Depreciation	30,400
Total Assets	\$ <u><u>9,559,864</u></u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ <u>2,009,138</u>
Total Liabilities	\$ <u><u>2,009,138</u></u>
<b>NET ASSETS</b>	
Unrestricted	\$ 98,637
Temporarily Restricted	5,077,481
Permanently Restricted	2,374,608
Total Net Assets	\$ <u><u>7,550,726</u></u>
<b>Total Liabilities and Net Assets</b>	\$ <u><u>9,559,864</u></u>

HORRY - GEORGETOWN TECHNICAL COLLEGE FOUNDATION, INC.  
 CONWAY, SOUTH CAROLINA  
 COMPONENT UNIT  
 STATEMENT OF ACTIVITY FOR THE YEAR ENDED JUNE 30, 2013

	<u>2013</u>
<b>SUPPORT AND REVENUE</b>	
Contributions	\$ 596,159
Investment Income	812,920
Total Support and Revenue	\$ <u><u>1,409,079</u></u>
<b>EXPENSES</b>	
Projects and Programs	\$ 543,204
Administrative Expenses	266,649
Total Expenses	\$ <u><u>809,853</u></u>
Change in Net Assets	\$ 599,226
Net Assets - Beginning of Year	<u>6,951,500</u>
Net Assets - End of Year	\$ <u><u>7,550,726</u></u>

The Accompanying Notes are an Integral Part of this Statement

## **NOTES TO FINANCIAL STATEMENTS**

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Horry - Georgetown Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Horry and Georgetown counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

**Reporting Entity:** The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be incomplete. Accordingly, the financial statements include the accounts of Horry - Georgetown Technical College, as the primary government, and the accounts of Horry - Georgetown Technical College Foundation, Inc. (the “Foundation”), its component unit. The College is considered a discretely presented component unit of the state of South Carolina as required by GASB Statement No. 61. However, based on the nature and significance of the Foundations’ relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 32 member board of the Foundation is self-perpetuating and consists of friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standard Board (“FASB”) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements.

Financial Statements of the Foundation can be obtained by calling the Foundation at (843) 477-2112.

**Financial Statements:** The financial statement presentation for the College meets the requirements of Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the College’s net position, revenues, expenses and changes in net position and cash flows that replaces the fund-group perspective previously required.



HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The College implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year. The reader will note the change in terminology from “net assets” to “net position”; otherwise, the implementation of the statement does not have any impact on the College’s financial statements.

**Basis of Accounting:** For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer’s Office are considered cash equivalents.

**Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Title 6, Chapter 5, “Investments of Funds by Political Subdivisions”. The College has implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures - an amendment to GASB Statement No. 3*. This statement requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

**Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College’s grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Revenues and Deposits:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net position and as a component of salary and benefit expenses in the statement of revenues, expenses, and changes in net position.

**Net Position:** The College's net position is classified as follows:

*Net investment in capital assets:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net position - expendable:* Restricted expendable net position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Restricted net position - nonexpendable:* Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net position:* Unrestricted net position represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is to first apply the expense to restricted resources and then to unrestricted resources.

**Nonexchange Transactions:** Nonexchange transactions involving financial or capital resources are transactions in which the college either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The types of nonexchange transactions the college engages in include "Voluntary nonexchange transactions" (certain grants and donations), and "Imposed nonexchange revenue" (fines and penalties), and "Government-mandated nonexchange transactions."

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Voluntary nonexchange transactions usually involve eligibility requirements that must be met before transactions are recognized. The eligibility requirements can include one or more of the following:

- a. The recipient has the characteristics specified by the provider.
- b. Time requirements specified by the provider have been met.
- c. The provider offers resources on a reimbursement basis and allowable costs have been incurred under the applicable program.
- d. The provider's offer of resources is contingent upon a specified action of the recipient and that action occurred.

Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as deferred revenues by recipients.

Assets from imposed nonexchange revenues are recognized when an enforceable legal claim to the assets arise or when the resources are received.

**Capitalized Interest:** The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects. Therefore, capital asset values do include such interest costs. During the fiscal years ending June 30, 2013 and June 30, 2012, no interest costs were capitalized.

**Income Taxes:** The College is exempt from income taxes under the Internal Revenue Code.

**Classification of Revenues:** The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

**Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the following programs: dental hygiene, massage therapy, food service and Culinary Arts programs.

**Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by bookstore commissions and cafeteria and vending services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

**Restricted Cash:** The College has funds which were donated by private citizens to be used as short-term loans for students having financial difficulties. The loans are short-term and payable within 90 days. The restricted cash amount equals funds available at June 30, 2013 for such loans.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Component Unit:** The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund Accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

**Permanently Restricted Net Assets:** Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted Net Assets:** Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

**Unrestricted Net Assets:** Unrestricted Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The following schedule reconciles deposits, investments, and petty cash funds to the Statement of Net Position amounts:

**Primary Government**

Statement of Net Position	2013	2012
Cash and Cash Equivalents (Current)	\$ 13,160,379	\$ 13,229,000
Cash and Cash Equivalents (Restricted for Loans)	128,497	125,952
Short-Term Investments	10,852,494	7,626,514
Investments (Noncurrent)	12,292,630	15,859,200
Total Cash and Investments	<u>\$ 36,434,000</u>	<u>\$ 36,840,666</u>
(On the Statement of Net Position)		
Disclosure of Deposits and Investments	2013	2012
Carrying Value of Deposits and Investments:		
Cash in Banks	\$ 6,162,750	\$ 11,572,764
Investments, Reported Amount	30,266,250	25,262,902
Total Deposits and Investments	<u>\$ 36,429,000</u>	<u>\$ 36,835,666</u>
Cash on Hand	5,000	5,000
Total Cash, Deposits, and Investments	<u>\$ 36,434,000</u>	<u>\$ 36,840,666</u>

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Discretely Presented Component Unit**

Horry - Georgetown Technical College Foundation

Statement of Net Assets	2013
Cash and Cash Equivalents	\$ 621,611
Investments	8,356,559
Total Cash and Investments	<u>\$ 8,978,170</u>
Disclosure of Deposits and Investments	2013
Carrying Value of Deposits and Investments:	
Cash in Banks	\$ 621,611
Investments, Reported Amount	8,356,559
Total Deposits and Investments	<u>\$ 8,978,170</u>

**DEPOSITS**

State law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party.

The College's bank balances on deposit were \$7,092,436 at June 30, 2013. Of these, \$1,672,323 were exposed to custodial credit risk as uninsured; however, were collateralized with securities held by the pledging institution in the College's name. The carrying value of these deposits was \$6,162,750. Restricted cash includes \$128,497 held for student loans. The cash balance at brokerage firms are insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC) with additional insurance provided by the brokerage firm through an excess SIPC policy.

**Deposits - Discretely Presented Component Unit**

Cash and cash equivalents consist of amounts on deposit, including interest-bearing deposits. The balances on deposit were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The balances at the brokerage firm are insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC) with additional insurance provided by the brokerage firm through an excess SIPC policy.

**INVESTMENTS**

The College is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

The College's investments at June 30, 2013, that are not with the State Treasurer's Office are presented below. All investments are presented by investment type and by maturity.

Horry - Georgetown Technical College Investments

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	\$ 11,331,706	\$ 11,331,706	\$ 0	\$ 0	\$ 0
Money Market Mutual Funds	7,717,344	7,717,344	0	0	0
FHLB Bonds	515,990	0	0	139,810	376,180
Federal Farm Credit Bonds/Notes	1,365,346	0	0	891,780	473,566
Federal Home Loan Mortgage	1,954,907	0	384,815	233,125	1,336,967
Federal National Mortgage Association Notes	1,900,009	0	1,207,707	0	692,302
U.S. Treasury Bonds/Notes	2,917,615	402,032	1,212,760	997,948	304,875
Municipal Bonds	1,497,593	0	611,040	523,743	362,810
Corporate Bonds	1,065,740	0	1,065,740	0	0
Total Investment	\$ 30,266,250	\$ 19,451,082	\$ 4,482,062	\$ 2,786,406	\$ 3,546,700

**Discretely Presented Component Unit**

Horry - Georgetown Technical College Foundation

Investment Type	Fair Value Amount
Debt Securities:	
Corporate Bonds	\$ 739,140
Mutual and Money Market Funds	3,509,505
U.S. Government Agencies	83,240
Common Stocks	2,858,104
Other Investments	1,166,570
TOTAL INVESTMENTS	\$ 8,356,559

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counter-party to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College does not have a formal investment policy that addresses custodial credit risk. Of the College's \$11,331,706 investment in repurchase agreements, \$11,331,706 of the underlying securities are held by the investments counter-party in the College's Name.

**Interest Rate Risk**

Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The College does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have an investment policy regarding credit risk.

The College's rated debt investments as of June 30, 2013, were rated by Standard & Poor's and are listed below using the Standard & Poor's rating scale.

**Horry - Georgetown Technical College Rated Debt Investments**

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Rating</u>
Repurchase Agreements	\$ 11,331,706	Unrated
Money Market Mutual Fund	7,717,344	Unrated
Corporate Bonds	158,238	A-
Corporate Bonds	260,931	A+
Corporate Bonds	248,950	AA
Corporate Bonds	397,621	Unrated
Federal Farm Credit Bonds	1,365,346	AA+
FHLB Bonds	515,990	AA+
Federal Home Loan Mortgage Corporation	1,336,967	AA
Federal Home Loan Mortgage Corporation	617,940	AA+
Federal National Mortgage Association	278,026	AA+
Federal National Mortgage Association	1,621,983	AA+
Municipal Bonds	144,215	A-
Municipal Bonds	611,040	AA
Municipal Bonds	73,813	AA-
Municipal Bonds	305,715	AA+
Municipal Bonds	362,810	AAA
US Treasury Bonds	2,261,757	AA+
US Treasury Notes	655,858	Unrated
Total Investment	\$ <u>30,266,250</u>	

HORRY - GEORGETOWN TECHNICAL COLLEGE  
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**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a governments investment in a single issuer. The College places no limits on the amount the College may invest in any one issuer.

The College had Debt Securities at June 30, 2013 totaling 37 percent of its investments. The following Debt Type Investments represented 5 percent or more of total investments:

<u>Debt Type Investments</u>	<u>Percentage</u>
Federal Home Loan Mortgages	6%
Federal National Mortgage Association	6%
US Treasury Bonds/Notes	<u>9%</u>
Total Investments	<u>21%</u>

The Discretely Presented Component Unit - Horry - Georgetown Technical College Foundation adopted a formal investment policy on June 17, 2007, addressing custodial credit risk, foreign currency risk, credit risk, interest rate risk, or concentration of credit risk.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013 and June 30, 2012, including applicable allowances, are summarized as follows:

	<u>2013</u>	<u>2012</u>
Student Accounts	\$ 3,425,676	\$ 2,858,934
Federal Grants and Contracts	1,444,768	1,776,224
State Grants and Contracts	814,648	1,573,302
Local Grants and Contracts	<u>2,605,737</u>	<u>2,324,572</u>
	8,290,829	8,533,032
Less Allowance for Doubtful Accounts - Students	<u>(128,314)</u>	<u>(194,140)</u>
Net Accounts Receivable	\$ <u>8,162,515</u>	\$ <u>8,338,892</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2013, the allowance for uncollectible student accounts is valued at \$128,314 and the allowance for uncollectible student accounts at June 30, 2012 was \$194,140.



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**NOTE 4 - LOANS RECEIVABLE**

The College has been gifted funds that are restricted for the purpose of being loans to students that have emergency situations. The loans are short-term loans that are repaid normally within 90 days.

**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

The composition of Discretely Presented Component Unit contributions receivable at June 30, 2013 is summarized as follows:

Contributions Receivable:	
Temporarily Restricted	\$ 701,878
Total Contributions Receivable	\$ 701,878
Less:	
Unamortized discount to present value	(156,109)
Net Contributions Receivable	\$ <u>545,769</u>
Amounts due in:	
Less than one	\$ 77,100
One to five years	193,681
Five to ten years	<u>274,988</u>
Total	\$ <u>545,769</u>

The discount rate used to determine the fair value of contributions receivable was five percent for the fiscal year ended June 30, 2013.

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**NOTE 6 - CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

	Beginning Balance July 1, 2012 (As Restated)	Increases	Decreases	Ending Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 4,840,104	\$ 0	\$ 0	\$ 4,840,104
Construction in progress	4,307,678	1,997,789	2,610,805	3,694,662
Total capital assets not being depreciated	\$ 9,147,782	\$ 1,997,789	\$ 2,610,805	\$ 8,534,766
Other capital assets:				
Buildings and improvements	\$ 55,659,533	\$ 11,107,202	\$ 0	\$ 66,766,735
Machinery, equipment, and other	5,812,069	1,086,975	175,743	6,723,301
Vehicles	387,465	17,835	0	405,300
Depreciable land improvements	2,111,496	405	0	2,111,901
Total other capital assets at historical cost	\$ 63,970,563	\$ 12,212,417	\$ 175,743	\$ 76,007,237
Less accumulated depreciation for:				
Buildings and improvements	\$ (15,333,462)	\$ (1,516,639)	\$ 0	\$ (16,850,101)
Machinery, equipment, and other	(4,606,747)	(577,963)	(175,743)	(5,008,967)
Vehicles	(284,462)	(595)	0	(285,057)
Depreciable land improvements	(1,531,271)	(55,268)	0	(1,586,539)
Total accumulated depreciation	\$ (21,755,942)	\$ (2,150,465)	\$ (175,743)	\$ (23,730,664)
Other capital assets, net	\$ 42,214,621	\$ 10,061,952	\$ 0	\$ 52,276,573
Capital assets, net	<u>\$ 51,362,403</u>	<u>\$ 12,059,741</u>	<u>\$ 2,610,805</u>	<u>\$ 60,811,339</u>
State inventory listing movable equipment				\$ 6,978,382
Total equipment per books				7,128,601
Reconciled difference				<u>\$ (150,219)</u>
Renovations booked as assets				\$ (48,935)
Loss duplicated				(13,812)
Pending Equipment Additions				212,966
Total Reconciling Items				<u>\$ 150,219</u>

Beginning net position has been restated to correct an error in the beginning balance of Depreciable Land Improvements (\$5,145) and beginning accumulated depreciation in Depreciable Land Improvements \$120,539, resulting in an increase in beginning net position of \$115,394.

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**NOTE 6 - CAPITAL ASSETS (continued)**

In prior years, the financial statements of the Foundation reflected property and equipment which it purchased for the benefit and use of Horry - Georgetown Technical College. Property and equipment purchased by the Foundation consist of a vehicle reported as follows:

Total Property and Equipment (Vehicle)	\$38,000
Accumulated Depreciation	<u>(7,600)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$30,400</u>

**NOTE 7 - PENSION PLANS**

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

*South Carolina Retirement System*

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

On July 1, 2012, the required employee contribution increased to 7.00 percent. Effective July 1, 2012, the employer contribution rate became 15.00 percent which included a 4.55 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2013, 2012, and 2011, were \$1,656,405, \$1,421,856 and \$1,360,962, respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$23,776 in the current fiscal year at the rate of .15 percent of compensation.

*Police Officers Retirement System*

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

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**NOTE 7 - PENSION PLANS (continued)**

Employees participating in the PORS are required to contribute 7.00 percent of all compensation. Effective July 1, 2012, the employer contribution rate became 16.45 percent which, as for the SCRS, included the 4.55 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2013, 2012, and 2011, were \$12,255, \$10,298, and \$16,442, respectively, and equaled the required contributions of 11.90 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$206 and accidental death insurance contributions of \$206 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

*Optional Retirement Program*

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.45 percent plus the retiree surcharge of 4.55 percent from the employer in fiscal year 2013. A direct remittance is required from the employers to the investment provider for the employee contribution (7.00 percent) and a portion of the employer contribution (5 percent). Also, a direct remittance is required to the SCRS for a portion of the employer contribution (5.45 percent), which must be retained by SCRS.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for post retirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$171,147 (excluding the surcharge) from the College as employer and \$219,822 from its employees as plan members. In addition, the College paid \$4,710 for group-life insurance coverage for these employees.

All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

*Deferred Compensation Plans*

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

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**NOTE 7 - PENSION PLANS (continued)**

*Teacher and Employee Retention Incentive*

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, they do not earn service credit, and they are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI Program will be required to make SCRS contributions. Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program, prior to July 1, 2005 will not be required to make SCRS contributions.

**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. Horry-Georgetown Technical College contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

*Funding Policies*

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% and 4.30% of annual covered payroll for 2013 and 2012, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. Horry-Georgetown Technical College paid approximately \$868,780 and \$781,500 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.50 for the fiscal years ended June 30, 2013 and 2012.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contribution.

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**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

**NOTE 9 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

As of June 30, 2013 the outstanding project commitments were as follows:

Project	Expenditures To Date	Estimated Total Project	Estimated Completion Date
Conway Infrastructure	\$ 2,534,839	\$ 4,476,160	Spring 2014
Conway Renovations Buildings 100/200/1000	339,270	600,000	Fall 2014
Conway Technology Blvd Sidewalk Extension	25,000	225,000	Fall 2013
Conway Overflow Parking Project	18,600	338,000	Fall 2013
Grand Strand Monument Signs	55,066	88,000	Fall 2013
Grand Strand Overflow Parking Project	579,119	900,000	Fall 2013
Grand Strand Culinary Arts Building	115,646	15,000,000	Spring 2016
Georgetown Monument Sign	27,122	44,000	Fall 2013
	<u>\$ 3,694,662</u>	<u>\$ 27,071,160</u>	

Like any entity, the College may be subject to various litigations in the normal course of business. The College is involved in one such case; however the outcome of that case is yet to be determined. Although management believes this case will be resolved with no liability to the College, the institution maintains appropriate insurance converge to offset any significant financial losses associated with legal liabilities.

Other than matters disclosed above, the College management are aware of no other contingencies, litigations or other financial or legal commitments.

**NOTE 10 - LEASE OBLIGATIONS**

*Contingent Rentals*

Contingent rentals are defined, for purposes of this audit report, as rental agreements that can be cancelled by the College at any point with no further financial obligation. The College currently has two types of contingent rentals specifically covering five automobiles and office copiers. Details of those contingent rentals are as follows:

<u>Rental Agreement</u>	<u>Year</u>	<u>Expended for Contingent Rentals</u>
Automobiles	2013	\$ 23,580
	2012	\$ 24,441
Copiers	2013	\$ 48,439
	2012	\$ 89,439

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**NOTE 10 - LEASE OBLIGATIONS (continued)**

*Operating Leases*

The College has three operating leases as of June 30, 2013. The operating leases payments for equipment rental and facility rent made for 2013 and 2012 were as follows:

<u>Rental Agreement</u>	<u>Year</u>	<u>Expended for Operating Leases</u>
Mobile Building	2013	\$ 0
	2012	\$ 367
Equipment	2013	\$ 59,243
	2012	\$ 34,843

Future operating lease payments are as follows:

<u>Rental Agreement</u>	<u>Year</u>	<u>Future Operating Lease Payments</u>
Equipment	2014	\$ 59,913
	2015	\$ 59,915
	2016	\$ 44,706
	2017	\$ 38,296

**NOTE 11 - RELATED PARTIES**

Certain separately chartered legal entities exist, whose activities are related to those of the College, primarily to provide financial assistance and other support to the College and its educational programs. Financial statements for these entities are audited by independent auditors and retained by them. They include the Horry - Georgetown Technical College Foundation, Inc.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB Statement No. 39 as amended by GASB Statement No. 61. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of this entity and a summary of significant transactions (if any) between this entity and the College for the year ended June 30, 2013.

**The Horry - Georgetown Technical College Foundation, Inc.**

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors who are not members of the College's Board of Directors.

The College recorded non-governmental gift receipts of \$289,834 from the Foundation in nonoperating revenues for the fiscal year ended June 30, 2013 and \$160,105 from the Foundation in nonoperating revenues for the fiscal year ended June 30, 2012. These funds were used primarily to support the College by way of program development, construction projects, and program support. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. The value of this office space and support services was approximately \$3,600 for the years ended June 30, 2013 and June 30, 2012.

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**NOTE 11 - RELATED PARTIES (continued)**

The Foundation's assets as of June 30, 2013 were \$9,559,864. As of June 30, 2013 the Foundation had \$545,769 in receivables, primarily due from donors (via pledges) and \$2,009,138 in outstanding liabilities primarily due to the College, for the Speir expansion.

**NOTE 12 - RISK MANAGEMENT**

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercrafts
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**NOTE 13 - NATIONAL FEDERAL DIRECT SUBSIDIZED AND UNSUBSIDIZED STAFFORD LOANS**

The College participates in the National Federal Direct Subsidized and Unsubsidized Stafford Loan Program, which allows the College to disburse federal loans to students which are administered by the U.S. Department of Education. The loan activity is not reported in the accompanying financial statements because the responsibility for administration and collection passes to the U.S. Department of Education after the loans are disbursed. The College made loan disbursements of \$34,029,079 under this program during the fiscal year 2013 and \$32,710,992 for the fiscal year ended June 30, 2012.



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**NOTE 14 - AGENCY FUNDS**

The agency fund accounts for Student Activity Funds. The Student Activity Fund is used to account for assets held by the College as an agent for others, such as student organizations. These organizations exist with the explicit approval of and are subject to revocation by the College. Student Activity Funds are custodial in nature (assets equal liabilities).

The following is a summary of the changes in the Student Activity Fund:

	June 30, 2012			June 30, 2013
	Balance	Receipts	Disbursements	Balance
Student Activity	\$684,018	\$305,760	\$178,307	\$811,471
GCSAA	15,336	2,000	0	17,336
Engineering Day	0	1,660	1,660	0
	<u>\$699,354</u>	<u>\$309,420</u>	<u>\$179,967</u>	<u>\$828,807</u>

**NOTE 15 - CAPITAL LEASES**

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

	Business- Type Activities
2014	\$ 10,459
2015	<u>6,973</u>
Total Minimum Lease Payments	\$ 17,432
Less Amounts Representing Interest	<u>(596)</u>
Present Value	<u>\$ 16,836</u>

The scheduled maturity of the note payables and capital lease is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2014	\$ 9,967	\$ 492	\$ 10,459
2015	<u>6,869</u>	<u>104</u>	<u>6,973</u>
Total	<u>\$ 16,836</u>	<u>\$ 596</u>	<u>\$ 17,432</u>

The College has one capital lease outstanding at June 30, 2013. This capital lease qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Assets purchased under lease totaled \$47,485 with an accumulated depreciation of \$37,988.

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**NOTE 16 - LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Capital Lease	\$ 26,413	\$ 0	\$ 9,577	\$ 16,836	\$ 9,967
Compensated Absences Payable	1,654,638	200,283	131,251	1,723,670	45,505
	<u>\$ 1,681,051</u>	<u>\$ 200,283</u>	<u>\$ 140,828</u>	<u>\$ 1,740,506</u>	<u>\$ 55,472</u>

**NOTE 17 - STATE APPROPRIATIONS (continued)**

State funds for operations for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a detailed schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2013 and June 30, 2012:

<u>NON-CAPITAL APPROPRIATIONS</u>	<u>2013</u>	<u>2012</u>
Appropriations per Annual Appropriations Act	\$ 6,916,656	\$ 6,615,087
Critical Needs Nursing Initiative - Proviso 5A.27	17,790	17,790
Pathways to Prosperity	48,531	43,204
ReadySC	0	2,993
Lottery Technology Funds	<u>184,557</u>	<u>132,502</u>
Total non-capital appropriations recorded as current year revenue	<u>\$ 7,167,534</u>	<u>\$ 6,811,576</u>

<u>CAPITAL APPROPRIATIONS</u>	<u>2013</u>
Energy Efficiency and Weatherization Improvements Bldg 1000C	\$ 239,270
Expenses incurred but not drawn during the current Fiscal year	<u>100,000</u>
Total capital appropriations proceeds recorded as current year revenue	<u>\$ 339,270</u>

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JUNE 30, 2013

**NOTE 18 - SALES/PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS**

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year. The College provided goods and/or services to other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2013, as listed below:

<u>Institution</u>	<u>Amount</u>
Florence Darlington Technical College	\$ 251,368
Coastal Carolina University	32,027
University of South Carolina	2,310
College of Charleston	<u>1,833</u>
Total	<u>\$ 287,538</u>

The College received goods and/or services from other South Carolina higher education institutions for a fee during the fiscal year ending June 30, 2013, as listed below:

<u>Institution</u>	<u>Amount</u>
Florence Darlington Technical College	\$ 3,895
Coastal Carolina University	798,485
Spartanburg Community College	18,923
Trident Technical College	<u>3,508</u>
Total	<u>\$ 824,811</u>

**NOTE 19 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the years ended June 30, 2013 and June 30, 2012 are summarized as follows:

	<u>June 30, 2013</u>						
	Salaries	Benefits	Scholar- ships	Utilities	Supplies and Other Serv.	Depreciation	Total
Instruction	\$ 12,484,583	\$ 3,599,669	\$ 0	\$ 0	\$ 1,894,136	\$ 0	\$ 17,978,388
Academic Support	2,457,542	789,254	0	0	1,176,549	0	4,423,345
Student Services	2,630,136	767,712	0	0	759,342	0	4,157,190
Operation & Maint. of Plant	1,159,150	435,657	0	1,371,708	3,149,736	0	6,116,251
Institutional Support	2,381,809	732,912	248	0	1,320,485	0	4,435,454
Scholarships	237,304	0	16,990,497	0	0	0	17,227,801
Auxiliary Enterprises	69,591	19,515	0	0	124,673	0	213,779
Depreciation	0	0	0	0	0	2,150,465	2,150,465
Total Operating Exp.	<u>\$ 21,420,115</u>	<u>\$ 6,344,719</u>	<u>\$ 16,990,745</u>	<u>\$ 1,371,708</u>	<u>\$ 8,424,921</u>	<u>\$ 2,150,465</u>	<u>\$ 56,702,673</u>

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 19 - OPERATING EXPENSES BY FUNCTION (continued)**

	<u>June 30, 2012</u>						
	Salaries	Benefits	Scholar- ships	Utilities	Supplies and Other Serv.	Depreciation	Total
Instruction	\$ 11,857,321	\$ 3,328,111	\$ 0	\$ 0	\$ 1,875,502	\$ 0	\$ 17,060,934
Academic Support	2,541,254	760,179	0	0	1,167,674	0	4,469,107
Student Services	2,470,679	727,606	0	0	550,019	0	3,748,304
Operation & Maint. of Plant	1,111,217	414,657	0	1,304,592	1,946,349	0	4,776,815
Institutional Support	2,260,896	700,666	5,132	0	1,946,657	0	4,913,351
Scholarships	148,306	0	16,269,011	0	0	0	16,417,317
Auxiliary Enterprises	77,580	19,798	0	0	137,127	0	234,505
Depreciation	0	0	0	0	0	1,833,542	1,833,542
Total Operating Exp.	<u>\$ 20,467,253</u>	<u>\$ 5,951,017</u>	<u>\$ 16,274,143</u>	<u>\$ 1,304,592</u>	<u>\$ 7,623,328</u>	<u>\$ 1,833,542</u>	<u>\$ 53,453,875</u>

**NOTE 20 - STATEMENT OF ACTIVITIES**

The following information is required by the office of the Comptroller General for the State of South Carolina's comprehensive annual financial report:

	<u>2013</u>	<u>2012</u>	<u>Increase/ Decrease</u>
Charges for Services	\$ 28,109,342	\$ 27,570,764	\$ 538,578
Operating Grants and Contributions	23,287,308	22,917,104	370,204
Capital Grants and Contributions	4,304,988	5,318,187	(1,013,199)
Less Expenses	<u>(56,703,555)</u>	<u>(53,459,488)</u>	<u>(3,244,067)</u>
Net Program Revenue	(1,001,917)	2,346,567	(3,348,484)
Transfers:			
State Appropriations	7,506,804	6,811,576	695,228
Transfers To/From other State Agencies	<u>400,813</u>	<u>(24,689)</u>	<u>425,502</u>
Change in Net Position	6,905,700	9,133,454	(2,227,754)
Net Position, Beginning of Year	88,688,122	79,554,668	9,133,454
Net Position, End of Year	<u>\$ 95,593,822</u>	<u>\$ 88,688,122</u>	<u>\$ 6,905,700</u>

**NOTE 21-STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS)**

The College incurred expenditures of \$0 and \$23,511 during fiscal years 2013 and 2012 respectively, under the American Recovery and Reinvestment Act (ARRA) funding. These funds were awarded to the College via pass-through funding from the U.S. Department of Education (State Fiscal Stabilization Funds), U.S. Department of Labor (Workforce Investment Act), U.S. Department of Commerce (Broadband Technology), U.S. Department of Health and Human Services (Early Childhood Development), and the U.S. Department of Energy (State Energy Program). ARRA funds were expended primarily for instruction and upgrades to the College's enterprise software. In addition, ARRA funds provided scholarships, instructional equipment and services.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 21-STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS) (continued)**

The schedules below list the individual funds and expenses by functional classification.

Fund	Total ARRA Expenditures June 30, 2013	Total ARRA Expenditures June 30, 2012
ARRA SCDSS Early Childhood	\$ 0	\$ 577
ARRA Broadband Tech Grant	0	22,934
Total	<u>\$ 0</u>	<u>\$ 23,511</u>

Please note that all expenses, excluding the capitalized amount, are included in the functional expenses schedule in Note 19.

	June 30, 2012					
	Salaries	Benefits	Scholarship	Other	Capitalized	Total
Instructional	\$ 0	\$ 0	\$ 0	\$ 22,934	\$ 0	\$ 22,934
Student Support	0	0	0	577	0	577
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,511</u>	<u>\$ 0</u>	<u>\$ 23,511</u>

**NOTE 22 – RESTATEMENT OF BEGINNING NET POSITION**

Beginning Net Position, as originally reported, July 1, 2012	\$ 88,572,728
Capital Assets overstated in prior year	(5,145)
Accumulated Depreciation overstated in prior year	<u>120,539</u>
Net Position Beginning of Year, As Restated, July 1, 2012	<u>\$ 88,688,122</u>

## **SINGLE AUDIT ACT REQUIREMENTS**

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Project Number	Federal CFDA Number	Expenditures
Federal Grantor/Pass-Through			
<u>Grantor/Program Title</u>			
U.S. Department of Education			
Direct programs			
TRIO Cluster			
TRIO - Talent Search	P044A060595	84.044	\$ 53,918
TRIO - Talent Search	PO44A110125-12	84.044	264,658
TRIO - Upward Bound	P047A070411	84.047	65,976
TRIO - Upward Bound	P047A120950-12	84.047A	192,928
Total - Trio Cluster			\$ <u>577,480</u>
Student Financial Aid Cluster			
Federal Work Study	P033A093788	84.033	\$ 249,169
SEOG	P007A103788	84.007	246,031
PELL	P063P092577	84.063	19,099,038
Direct Federal Subsidized & Unsubsidized Loans	P268K112577	84.268	34,029,079
Total - Student Financial Aid Cluster			\$ <u>53,623,317</u>
Total U.S. Department of Education Direct Programs			\$ <u>54,200,797</u>
Pass Through State Dept. of Education:			
Perkins III	13VA408	84.048	\$ 426,097
Total Pass Through State Dept. of ED.			\$ <u>426,097</u>
Total U.S. Department of Education			\$ <u>54,626,894</u>
U.S. Department of Labor			
Direct programs			
Workforce Investment Act -			
Community Based Job Training (CBJT)	CB-18199-09-60-A-45	17.269	\$ 206,001
Total U.S. Department of Labor Direct Programs			\$ <u>206,001</u>
Pass Through Florence Darlington Technical College			
Assist Grant	TC-22521-11-60-A-45	17.282	\$ 254,744
Total Pass through Florence Darlington Technical College			\$ <u>254,744</u>
Total U.S. Department of Labor			\$ <u>460,745</u>

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Federal Grantor/Pass-Through			
<u>Grantor/Program Title</u>			
U.S. Department of Health and Human Services			
Pass Through Greenville Technical College			
Early Childhood Development	N/A	93.575	\$ <u>2,190</u>
Total U.S. Department of Health and Human Services			\$ <u>2,190</u>
 U.S. Department of Interior			
Pass Thru Bureau of Indian Affairs	231-11-92H00-C00-007		
Indian Affairs Work Agreement	SMC00090178	15.046	\$ <u>37,377</u>
Total U.S. Department of Interior			\$ <u>37,377</u>
 Total Federal Programs			\$ <u><u>55,127,206</u></u>



HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Horry - Georgetown Technical College and is presented on the accrual basis, the same basis of accounting used to prepare the basic financial statements as described in Note 1 of the financial statements.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the basic financial statements (or reported in the federal financial reports).

2. FEDERAL NON-CASH ASSISTANCE

Horry - Georgetown Technical College did not receive or expend federal awards in the form of non-cash assistance and had no federal loan guarantees at June 30, 2013.

3. DETERMINATION OF MAJOR PROGRAMS

Major federal programs were determined in accordance with OMB Circular A-133. For the year ended June 30, 2013, the following programs were determined to be major programs in accordance with OMB Circular A-133: Student Financial Aid Cluster and Assist Grant.

4. RECONCILIATION OF CURRENT FUND REVENUES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Total per Expenditures of Federal Awards	<u>\$55,127,206</u>
Total Federal Revenue	
Federal Grants Operating	\$ 1,961,712
Non Operating Grant	<u>19,136,415</u>
	<u>\$21,098,127</u>
Federal Direct Loans	
Subsidized Stafford Loans	\$15,163,569
Unsubsidized Stafford Loans	18,737,486
Plus Loans	<u>128,024</u>
Total Federal Awards	<u>\$34,029,079</u>

5. FEDERAL DIRECT LOANS

Federal Family Education Loans were disbursed in the amount of \$34,029,079 have not been recorded as revenues in the financial statements as administration and collection passes to the U.S. Department of Education after the loans are disbursed.

6. TYPE A PROGRAM DOLLAR THRESHOLD

The dollar threshold for Type A programs was \$300,000. It was determined that the Student Financial Aid Cluster which included the National Direct Subsidized and Unsubsidized Loans should be excluded from the determination and audited as a major program.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Horry - Georgetown Commission for Technical Education  
Horry - Georgetown Technical College  
Conway, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Horry - Georgetown Technical College, as of and for the year ended June 30, 2013 and the related notes to the financial statements which collectively comprise Horry- Georgetown Technical Colleges' basic financial statements and have issued our report thereon dated September 27, 2013. Our report includes a reference to other auditors who audited the financial statements of the Horry - Georgetown Technical College Foundation, Inc., as described in our report on Horry - Georgetown Technical College's financial statements. The financial statements of Horry - Georgetown Technical College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Horry - Georgetown Technical College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Horry - Georgetown Technical College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harper, Poston & Moree, P.A.*  
Harper, Poston & Moree, P.A.  
Certified Public Accountants

Georgetown, South Carolina  
September 27, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133

Horry - Georgetown Commission for Technical Education  
Horry - Georgetown Technical College  
Conway, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Horry - Georgetown Technical College's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Horry - Georgetown Technical College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Horry - Georgetown Technical College's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about Horry - Georgetown Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Horry - Georgetown Technical College's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Horry - Georgetown Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Horry - Georgetown Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, such that there are is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purposed of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Harper, Poston & Moree, P.A.*  
Harper, Poston & Moree, P.A.  
Certified Public Accountants

Georgetown, South Carolina  
September 27, 2013

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF THE AUDITOR'S RESULTS

1. The independent auditor's report on the financial statements expresses an unqualified opinion.
2. No significant deficiencies were disclosed during the audit of the basic financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. The audit disclosed no instances of non-compliance in relation to the financial statements.
4. No significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The report on compliance for major programs expressed an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).
7. The major programs of Horry - Georgetown Technical College included in the audit were:

<u>Programs</u>	<u>CFDA #</u>
Student Financial Aid Cluster	84.033, 84.007, 84.063, 84.268
Assist Grant	17.282
8. The dollar threshold for Type A programs for Horry-Georgetown Technical College was \$300,000. It was determined that the student financial aid cluster which included the national direct subsidized and unsubsidized loans should be excluded from the determination and audited as a major program.
9. Horry - Georgetown Technical College qualifies as a low-risk auditee.

FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

1. No matters were reported.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. No matters were reported.

HORRY - GEORGETOWN TECHNICAL COLLEGE  
CONWAY, SOUTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

Prior Year Findings – Major Federal Award Programs

No matters were reported.